

This prospectus is not, and under no circumstances is to be construed as, a public offering of these securities for sale in the United States of America or in the territories or possessions thereof.

NEW ISSUES

Northern Tar, Chemical and Wood Limited

(Incorporated under the laws of the Province of Ontario)

36,000 \$1.70 Cumulative Redeemable Preference Shares, Series A

(with a par value of \$25 each)

and

108,000 Common Shares

(without par value)

In Units consisting of one Series A Preference Share and
three Common Shares

The \$1.70 Cumulative Redeemable Preference Shares, Series A (herein sometimes called the "Series A Preference Shares") are to be fully paid and non-assessable; entitled to fixed cumulative preferential cash dividends (accruing from April 17, 1964) as and when declared by the board of directors at the rate of \$1.70 per share per annum payable quarterly on the first days of January, April, July and October in each year (from and including July 1, 1964) by cheques payable at par at any branch of the Company's bankers in Canada (far northern branches excepted). The Series A Preference Shares are to be redeemable at any time in whole or from time to time in part on at least thirty days' notice at \$25 per share together with all accrued and unpaid preferential dividends thereon.

A full statement of the provisions relating to the Preference Shares as a class and to the Series A Preference Shares is set out in the Statutory Information forming part of this prospectus.

Series A Preference Share Purchase Fund

So long as any of the Series A Preference Shares are outstanding the Company shall, subject to certain conditions more fully set out herein, on or before the first day of March in each year, commencing with the year 1966, set aside \$20,000 as a purchase fund for the purchase of Series A Preference Shares for cancellation.

Transfer Agent and Registrar

The Royal Trust Company—Toronto, Montreal, Winnipeg and Vancouver

We, as principals, offer these Units, subject to prior sale and change in price, if, as and when issued and accepted by us and subject to the approval of all legal matters on our behalf by Messrs. Fraser, Beatty, Tucker, McIntosh & Stewart, Toronto, who are also counsel for the Company.

PRICE: \$33.00 per Unit

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice.

It is expected that interim share certificates for the Series A Preference Shares and Common Shares will be available for delivery on or about April 17, 1964.



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The following information has been provided by the President of Northern Tar, Chemical and Wood Limited.

The Company

Northern Tar, Chemical and Wood Limited (hereinafter called the "Company") was incorporated under the laws of the Province of Ontario on February 20, 1964. On March 17, 1964 the Company acquired all the outstanding shares of Northern Wood Preservers, Limited, which is now a wholly owned subsidiary of the Company.

Northern Wood Preservers, Limited

Northern Wood Preservers, Limited (hereinafter called "Northern Wood") was incorporated under the laws of the Province of Ontario in 1935 as Ontario Creosoting Company, Limited. The name was changed in 1938 to Northern Wood Preservers, Limited.

Northern Wood and its wholly owned subsidiaries are engaged in the production and preservative treatment of wood products, mainly utility poles, railway ties and various types of construction timber. Lumber and tar products are also produced in substantial quantities.

Northern Wood's plant, together with the plant of one of its wholly owned subsidiaries, is located on property held under lease on the waterfront at Port Arthur, Ontario. Together they comprise the most completely integrated operation of its kind on the North American continent. Included are a lumber mill, a planing mill, a mill for the production of railway ties, a tar distilling plant, a plant for pressure treating timber with any approved preservative, a non-pressure plant for the butt treatment of large western cedar transmission line poles, a log barker, two chippers for the production of wood chips, a pole shaving machine, dry kilns, locomotive cranes and lumber carriers and stackers. A complete fire protection and sprinkler system was recently installed. A high standard of maintenance and replacement has been consistently followed and all parts of the plants are modern in every respect. During the ten years ended December 31, 1963 expenditures on fixed assets by Northern Wood and its wholly owned subsidiaries amounted to approximately \$3,000,000.

The Port Arthur plants are ideally situated. Port Arthur is a logical location for the in-transit treatment of large Douglas Fir timbers being shipped from British Columbia to eastern Canada. Ample supplies of local timber are available for the production of railway ties, utility poles and lumber. The plants are served by two railways and the location on navigable waters enables both incoming shipments of timber and raw coal tar and outgoing shipments of finished products to be carried by boat.

Wholly Owned Subsidiaries

Northern Wood has three wholly owned subsidiaries, Northern Wood Preservers (Saskatchewan) Limited (hereinafter called "Northern (Saskatchewan)"), Northern Tar & Chemical Company Limited (hereinafter called "Tar & Chemical") and Northern Forest Products Ltd. (hereinafter called "Northern Forest").

Northern (Saskatchewan) was incorporated under the laws of the Province of Saskatchewan in 1938 and began operations in 1938. It owns and operates a wood pressure treating plant in Prince Albert, Saskatchewan on lands owned by it. With the exception of the purchase of fence posts for subsequent treatment and resale, Northern (Saskatchewan) confines its activities to the custom preservative treatment of wood products owned by others. The plant in Prince Albert treats large quantities of British Columbia timber destined for delivery to various points in the prairie provinces.

Tar & Chemical was incorporated in 1940 under the laws of the Dominion of Canada. Tar & Chemical's plant is located in Port Arthur on the same site as that of Northern Wood. There Tar & Chemical carries on the manufacture of creosote and other products from raw coal tar delivered by lake tanker to Port Arthur from Hamilton and Sault Ste. Marie. By means of a distillation process, Tar & Chemical produces all the creosote required for the Port Arthur and Prince Albert plants. It also produces, for sale to others, heavy tar oils, road tar, pipe enamel pitch, roofing pitches, naphthalene and carbon coke.

With a view to extending this type of business negotiations are currently being carried on for the acquisition by the Company and/or one of its wholly owned subsidiaries of a medium-sized plant and other assets which, if purchased, will enable it to enter the pipe enamel business. Pipe enamel is used as a protective coating in pipelines. It is felt that such an acquisition, involving a relatively small investment, could develop a new source of substantial profits for the Company.

Northern Forest was incorporated in 1940 under the laws of the Dominion of Canada. While its main function is to cut, for resale to Northern Wood, timber suitable for utility poles, it also cuts substantial quantities of pulpwood for paper mills located in the Lakehead area of Northern Ontario as well as saw logs suitable for the production of lumber, railway ties and other wood products.

Sales and Distribution

The majority of pole and tie sales are made to railways, utilities, municipalities and governmental departments. Treated timbers for mines, culverts, bridges, pole-type buildings and other uses are sold to a variety of accounts. The larger customers enter into annual contracts for their forthcoming requirements in sufficient time for production, seasoning and treatment prior to delivery. Consequently, sales of this type are arranged by management without incurring extensive advertising and sales expense. Rough and finished lumber of various kinds are produced and lumber sales are substantial. If required by the customer, lumber may be treated prior to delivery. In addition to sales made to wholesalers and retailers, lumber is also sold to the mining and industrial markets. As well as Canadian sales, lumber is exported to Minnesota, Wisconsin and Illinois. In addition to the cutting of pulpwood, wood chips are sold to paper companies to be used in the production of pulp and paper. A sales office is maintained in Toronto, concentrating to a large extent on the farm market for pole-type buildings. Because of the large volume of wood products produced and sold, there is practically no waste. A tree, once felled, is completely utilized.

The sale of road tars is being actively promoted and the sales volume of this product is growing steadily. Roofing pitch is manufactured for resale to other large Canadian companies who market it under their own brand names. Carbon coke, a by-product of the creosote production process, is also sold, mainly for use as carbon electrodes in the aluminum industry.

The plant has sufficient capacity to allow for a substantial increase in sales without the necessity of making extensive capital expenditures.

Sources of Supply

Wood for railway ties, utility poles and lumber is supplied from forests in the Lakehead area of Northern Ontario and may be economically shipped to Port Arthur from distances of up to three hundred miles. The heavy construction timber, which Northern Wood usually treats on a custom basis, originates in British Columbia. Such timber is treated in transit and then shipped to its ultimate destination. Raw coal tar for the manufacture of creosote is obtained from steel mills at Sault Ste. Marie and Hamilton and is economically shipped by boat in cargo quantities.

Labour Relations

When operating at capacity the plants at Port Arthur employ about three hundred men and the Prince Albert plant employs about one hundred men. At the height of the cutting season some three hundred men are also required in the woods operation. Good labour relations have always been enjoyed and all operating departments are unionized.

Capitalization

Upon completion of the present financing, the capitalization of Northern Tar, Chemical and Wood Limited will be:

	<u>Authorized</u>	<u>Issued and Outstanding</u>
Long Term Debt of a subsidiary company		
Northern Wood Preservers, Limited		
6.50% Secured Debenture (Note 1).....	\$1,300,000	\$1,300,000
Preference Shares with a par value of \$25 each, issuable in series	100,000 shares	
\$1.70 Cumulative Redeemable Preference Shares, Series A...		36,000 shares
Common Shares without par value (Note 2).....	1,000,000 shares	400,000 shares

NOTES: 1. The 6.50% Secured Debenture is payable as to \$70,000 on May 15 in each of the years 1964 to 1968 inclusive, as to \$95,000 on May 15 in each of the years 1969 to 1977 inclusive and as to the balance on May 15, 1978.

2. 20,000 Common Shares are reserved for issue upon the exercise, at \$2.50 per share, of share purchase options granted to officers and employees of the Company or its subsidiaries. The said options are exercisable from time to time on or before March 31, 1969.

Purpose of Issue

The net proceeds from the sale of the securities offered by this prospectus (after payment of preliminary expenses) will, together with certain funds of the Company on hand, be used to reduce bank indebtedness by the principal amount of \$1,095,000, with accrued interest.

Consolidated Net Tangible Assets and Dividend Coverage

According to the accompanying Pro Forma Consolidated Balance Sheet B of the Company and its wholly owned subsidiaries as at December 31, 1963 the consolidated net tangible assets amounted to approximately \$53 per Series A Preference Share to be outstanding. According to the accompanying Statement of Consolidated Earnings, for the year ended December 31, 1963 the consolidated net earnings of the Company's wholly owned subsidiaries were approximately 4.98 times the maximum annual dividend requirements on the Series A Preference Shares to be outstanding.

Summary of Certain Provisions Attaching to the Series A Preference Shares

RIGHTS ON LIQUIDATION

1. In the event of the liquidation, dissolution or winding up of the Company or any other distribution of assets of the Company among its shareholders for the purpose of winding up its affairs the holders of Series A Preference Shares shall be entitled to \$25 per share plus all accrued and unpaid preferential dividends before any amount shall be paid or any property or assets of the Company distributed to the holders of shares of any class ranking junior to the Series A Preference Shares; thereafter the holders of Series A Preference Shares shall not be entitled to share in any further distribution of the property or assets of the Company.

RIGHT OF COMPANY TO PURCHASE

2. Subject to certain provisions the Company may at any time or times purchase (if obtainable) for cancellation all or any part of the Series A Preference Shares outstanding from time to time at a price not exceeding the price at which such shares are redeemable (including accrued and unpaid preferential dividends) plus costs of purchase.

RESTRICTIONS ON PAYMENT OF DIVIDENDS, REDEMPTIONS, ETC.

3. The Company shall not declare, pay or set apart any dividends on any shares of the Company ranking junior to the Preference Shares unless all dividends up to and including the dividend payable for the last completed quarter on each series of the Preference Shares then issued and outstanding shall have been declared and paid or set apart for payment.

4. No series of Preference Shares shall be authorized having a dividend rate exceeding 7% per annum.

5. The Company shall not redeem, purchase, reduce or otherwise pay off any shares ranking junior to the Preference Shares unless all dividends up to and including the dividend payable for the last completed quarter on each series of the Preference Shares then issued and outstanding shall have been declared and paid or set apart for payment.

6. The Company shall not

- (i) declare or pay any dividends (other than stock dividends in shares of the Company ranking junior to the Series A Preference Shares) on any of its shares at any time outstanding and ranking junior to the Series A Preference Shares; or
- (ii) redeem, reduce, purchase or otherwise pay off any of its shares at any time outstanding and ranking junior to the Series A Preference Shares (except out of the proceeds of an issue of shares ranking junior to the Series A Preference Shares made at any time after the first day of May, A.D. 1964, and prior to or contemporaneously with any such redemption, reduction, purchase or payment); or
- (iii) elect to pay any tax on undistributed income under the provisions of Section 105 of the Income Tax Act (Revised Statutes of Canada 1952, Chapter 148) as now enacted or as the same may from time to time be amended or re-enacted or elect to pay any tax under any similar provisions

unless immediately after giving effect to such action the aggregate amount

- (a) declared and/or paid subsequent to the incorporation of the Company as dividends (other than stock dividends in shares of the Company ranking junior to the Series A Preference Shares) on all shares of all classes of the Company; and
- (b) distributed and/or paid (on redemption, reduction, purchase or other payment off) subsequent to the incorporation of the Company in respect of all shares (other than Preference Shares) of all classes of the Company; and
- (c) elected to be paid as tax as above mentioned

will not be more than the aggregate of the consolidated net earnings available for dividends (as defined) of the Company and its subsidiaries (as defined) subsequent to December 31, 1963, plus the net cash proceeds to the Company of the issue after May 1, 1964, of any of its shares ranking junior to the Series A Preference Shares.

VOTING RIGHTS

7. The holders of the Series A Preference Shares shall not have any voting rights nor shall they be entitled to receive notice of or attend shareholders' meetings (except that they shall be entitled to notice of meetings of the shareholders to authorize the dissolution of the Company or the sale of its undertaking or a substantial part thereof) unless dividends on the Preference Shares of any series become in arrears to the extent of 8 quarterly dividends, whereupon, until all arrears of dividends on the Preference Shares have been paid, such holders shall be entitled to receive notice of and to attend all shareholders' meetings and to one vote in respect of each Series A Preference Share held and, together with the holders of all other outstanding Preference Shares, shall be entitled to elect 2 directors, if the Company's board of directors consists of 7 or fewer directors, or 3 directors if the board consists of more than 7 directors.

ISSUE OF ADDITIONAL PREFERENCE SHARES

8. The authorized but unissued Preference Shares shall be issuable in one or more series, with such provisions as the directors of the Company may by resolution determine and as may be set forth in supplementary letters patent. The Preference Shares of each series shall rank on a parity with the Preference Shares of every other series with respect to priority in payment of dividends and in the distribution of assets in the event of the liquidation, dissolution or winding up of the Company. No class of shares is to be created ranking as to capital or dividends prior to or on a parity with the Preference Shares without the approval of the holders of the Series A Preference Shares given in a specified manner and the authorized amount of Preference Shares is not to be increased without such approval.

The Company shall not issue any Preference Shares in excess of the 36,000 Series A Preference Shares without the prior approval of the holders of the Series A Preference Shares given in a specified manner unless the average annual consolidated net earnings available for dividends (as defined) of the Company and its subsidiaries for the two completed fiscal years next preceding the date of issuance have been at least equal to 3 times the annual dividend requirements on all the Preference Shares to be outstanding immediately after such issue.

PURCHASE FUND

9. So long as any of the Series A Preference Shares are outstanding and subject to certain conditions, the Company shall on or before March 1 in each year, commencing with the year 1966, set aside as a purchase fund for the purchase of Series A Preference Shares for cancellation the sum of \$20,000, the purchase fund to be used for such purchase as set forth in the Statutory Information forming part of this prospectus; provided that the Company in any year shall only be required to set aside for purchase fund purposes an amount (if such amount is less than \$20,000) which when added to amounts theretofore set aside and not used or applied on or before February 1 of such year for the purchase of Series A Preference Shares would equal \$80,000.

REDEMPTION RIGHTS

10. The Series A Preference Shares are to be redeemable at the option of the Company in whole or in part from time to time (subject to certain provisions) on not less than 30 days' notice at \$25 per share together with all accrued and unpaid preferential dividends to the date of redemption.

The foregoing statement with respect to the Series A Preference Shares is not complete and is qualified in its entirety by reference to the full provisions attached to the Preference Shares as a class and to the Series A Preference Shares which appear in the Statutory Information forming part of this prospectus.

NORTHERN WOOD PRESERVERS, LIMITED

and its wholly owned subsidiaries

Statement of Consolidated Earnings

For the Ten Years Ended December 31, 1963

Year ended December 31	Operating profit before interest on long term debt, depreciation and taxes on income	Interest on long term debt	Depreciation	Profit before income taxes	Income taxes	Consolidated net earnings
1954.....	\$651,056	\$ 3,750	\$190,661	\$456,645	\$217,114	\$239,531
1955.....	694,648	12,413	200,717	481,518	224,843	256,675
1956.....	695,174	9,263	264,504	421,407	195,215	226,192
1957.....	778,191	7,238	283,682	487,271	233,651	253,620
1958.....	648,975	5,736	245,847	397,392	188,022	209,370
1959.....	713,165	2,175	250,162	460,828	238,688	222,140
1960.....	816,216	1,575	236,149	578,492	291,804	286,688
1961.....	479,845	795	225,395	253,655	119,828	133,827
1962.....	554,385	375	230,538	323,472	161,563	161,909
1963.....	665,524	53,947	122,990	488,587	183,860	304,727

NOTES: 1. The earnings of the following companies are included in the above summary:

Northern Wood Preservers, Limited
Northern Forest Products Ltd.
Northern Tar & Chemical Company Limited
Northern Wood Preservers (Saskatchewan) Limited

2. Net profits on sales of fixed assets and investments, aggregating \$34,468, have been excluded.

3. In 1962 and prior years depreciation was provided at the maximum rates allowable for income tax purposes but in 1963 the rates were reduced to provide for the undepreciated capital cost being written off over the estimated remaining useful lives of the various assets as determined by the management. The result has been to reduce the charge to earnings for depreciation in 1963 by \$117,000 as compared with a provision calculated on the same basis as in prior years. Income taxes for 1963 have been calculated on the basis of the intention to claim capital cost allowance at the maximum rates allowable and as a result the taxes otherwise payable have been reduced by approximately \$60,700.

4. A revision made in 1960 in an agreement with a customer with respect to the delivery and billing of poles occasioned a change in the method of recording the sales of poles. This change did not affect the consistency of the profits recorded on sales with the exception of the years 1961 and 1962. About 95% of the poles delivered in 1961 were included in the inventory of poles on hand at December 31, 1960 which had been priced at selling prices so that little or no profit was shown on poles delivered in 1961.

Poles produced and treated in 1961 were either charged to the customer in 1962 or included in the inventory at December 31, 1962 at contract prices. Practically all of the profit on poles produced in 1961 is included in the earnings of the year 1962.

5. Federal income tax reassessments have been made for all companies for 1960 and prior taxation years.

Auditors' Report

To the Directors,
NORTHERN TAR, CHEMICAL AND WOOD LIMITED.

We have examined the statement of consolidated earnings of Northern Wood Preservers, Limited and its wholly owned subsidiaries for the ten years ended December 31, 1963. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying statement, subject to the notes thereto, presents fairly the results of the consolidated operations of the companies for the ten years ended December 31, 1963, in accordance with generally accepted accounting principles applied on a consistent basis except as stated in Notes 3 and 4 above.

Port Arthur, Ontario,
March 25, 1964.

(Signed) F. H. BLACK & Co.
Chartered Accountants.

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Pro Forma Consolidated Balance Sheet

as at Dec

Pro forma consolidated balance sheet A gives effect to the following events and transactions subsequent to December 31, 1963:

1. The incorporation of Northern Tar, Chemical and Wood Limited by letters patent dated February 20, 1964 with an authorized capital consisting of 100,000 Preference Shares with a par value of \$25 each, issuable in series and 1,000,000 Common Shares without par value.
2. The issue by Northern Tar, Chemical and Wood Limited of 192,000 Common Shares for cash of \$288,000.
3. The borrowing by Northern Tar, Chemical and Wood Limited of \$1,095,000 from its banker.
4. The purchase by Northern Tar, Chemical and Wood Limited of all the outstanding shares of Northern Wood Preservers, Limited for \$1,625,000 which sum was satisfied by the issue of 100,000 Common Shares of Northern Tar, Chemical and Wood Limited and payment of \$1,375,000.

Assets

	Pro Forma Consolidated Balance Sheet A	Pro Forma Consolidated Balance Sheet B
CURRENT ASSETS		
Cash.....	\$ 86,866	\$ 82,866
Accounts receivable, less provision for doubtful accounts of \$33,101....	805,607	805,607
Inventories of merchandise and supplies (Note 1).....	2,135,228	2,135,228
Work in progress—at cost.....	327,132	327,132
Prepaid expenses.....	47,100	47,100
Cash surrender value of life insurance.....	46,515	46,515
	<u>3,448,448</u>	<u>3,444,448</u>
INVESTMENTS AT COST	10,360	10,360
FIXED ASSETS		
Land, buildings, machinery and equipment (Note 3).....	4,577,324	4,577,324
Less: Accumulated depreciation.....	2,796,912	2,796,912
	<u>1,780,412</u>	<u>1,780,412</u>
DEPOSITS	11,000	11,000
DEFERRED CHARGES		
Organization and financing expense.....	74,363	153,363
Goodwill and patent rights—at cost.....	14,491	14,491
	<u>88,854</u>	<u>167,854</u>
Approved on behalf of the Board		
(Signed) J. S. GAIRDNER, Director		
(Signed) R. J. PRETTIE, Director		
The accompanying notes are an integral part of the above balance sheets.		
	<u>\$5,339,074</u>	<u>\$5,414,074</u>

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ned subsidiaries

d Pro Forma Consolidated Balance Sheet B r 31, 1963

Pro forma consolidated balance sheet B gives effect to the events and transactions included in pro forma consolidated balance sheet A and also gives effect to the following:

5. The issue and sale of 36,000 \$1.70 Cumulative Redeemable Preference Shares, Series A with a par value of \$25 each and 108,000 Common Shares without par value for \$1,170,000 less commission to underwriters of \$54,000.
6. The reduction of bank indebtedness by the amount of \$1,095,000.
7. The payment of organization and issue expenses estimated at \$25,000.

Liabilities

	Pro Forma Consolidated Balance Sheet A	Pro Forma Consolidated Balance Sheet B
CURRENT LIABILITIES		
Bank indebtedness—secured.....	\$2,381,909	\$1,286,909
Accounts payable and accrued charges.....	447,785	447,785
Wages payable.....	51,770	51,770
Provision for future delivery costs.....	10,847	10,847
Current instalment of long term debt.....	70,000	70,000
Provision for income taxes (Note 2).....	192,734	192,734
	<u>3,155,045</u>	<u>2,060,045</u>
LONG TERM DEBT		
6.50% Secured Debenture due May 15, 1978, payable in annual instalments (Note 4).....	1,230,000	1,230,000
Non-interest bearing advance.....	14,533	14,533
	<u>4,399,578</u>	<u>3,304,578</u>
CAPITAL		
Authorized		
100,000 Preference Shares with a par value of \$25 each, issuable in series		
1,000,000 Common Shares without par value (Note 5)		
Issued and fully paid		
292,000 Common Shares.....	538,000	
Issued and fully paid		
36,000 \$1.70 Cumulative Redeemable Preference Shares, Series A.....		900,000
400,000 Common Shares.....		808,000
Excess of net book values of assets of subsidiary companies over cost of investment therein.....	401,496	401,496
	<u>\$5,339,074</u>	<u>\$5,414,074</u>

NORTHERN TAR, CHEMICAL AND WOOD LIMITED

and its wholly owned subsidiaries

Notes to Pro Forma Consolidated Balance Sheet A and Pro Forma Consolidated Balance Sheet B as at December 31, 1963

NOTE 1 The inventories of merchandise and supplies include approximately 31,500 poles valued at \$757,634 being the price for which they were under contract for delivery to a customer in 1963. By an amended purchase agreement the period for delivery of the poles has been extended to September 30, 1964 and the selling price will be increased at the time of delivery by 12% to cover carrying costs plus an additional charge for loading. The balance of the inventories has been priced at the lower of cost or market values.

NOTE 2 In 1962 and prior years depreciation was provided at the maximum rates allowable for income tax purposes but in 1963 the rates were reduced to provide for the undepreciated capital cost being written off over the estimated remaining useful lives of the various assets as determined by the management. The result has been to reduce the charge to earnings for depreciation in 1963 by \$117,000 as compared with a provision calculated on the same basis as in prior years. Income taxes for 1963 have been calculated on the basis of the intention to claim capital cost allowance at the maximum rates allowable and as a result the taxes otherwise payable have been reduced by approximately \$60,700.

NOTE 3 Fixed assets are carried in the accounts of subsidiary companies as follows:

At cost:

Land.....	\$ 18,560	
Buildings.....	579,654	
Machinery and equipment.....	<u>1,325,909</u>	\$1,924,123

At a valuation approved by the board of directors of Northern Wood Preservers, Limited, being less than an appraisal value determined by General Appraisal Company as at December 11, 1961:

Machinery and equipment of Northern Wood Preservers, Limited.....	<u>2,653,201</u>
	<u>\$4,577,324</u>

NOTE 4 A wholly owned subsidiary has issued its 6.50% Secured Debenture dated May 7, 1963 in the aggregate principal amount of \$1,300,000 maturing May 15, 1978 payable as to \$70,000 on May 15 in the years 1964 to 1968 inclusive, as to \$95,000 in the years 1969 to 1977 inclusive and as to the balance on May 15, 1978.

NOTE 5 20,000 Common Shares are reserved for issue upon the exercise, at \$2.50 per share, of share purchase options granted to officers and employees of the Company or its subsidiaries. The said options are exercisable from time to time on or before March 31, 1969.

Auditors' Report

To the Directors,
NORTHERN TAR, CHEMICAL AND WOOD LIMITED.

We have examined pro forma consolidated balance sheet A and pro forma consolidated balance sheet B of Northern Tar, Chemical and Wood Limited and its wholly owned subsidiaries as at December 31, 1963. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, pro forma consolidated balance sheet A, with the notes thereto, presents fairly the financial position of the companies as at December 31, 1963 after giving effect to the events and transactions set forth in the heading applicable thereto in accordance with generally accepted accounting principles applied on a consistent basis except as stated in Notes 1, 2 and 3 above.

In our opinion, pro forma consolidated balance sheet B, with the notes thereto, presents fairly the financial position of the companies as at December 31, 1963 after giving effect to the events and transactions set out in the heading applicable thereto, in accordance with generally accepted accounting principles applied on a consistent basis except as stated in Notes 1, 2 and 3 above.

Port Arthur, Ontario,
March 25, 1964.

(Signed) F. H. BLACK & Co.
Chartered Accountants

Statutory Information

1. The full name of the Company is Northern Tar, Chemical and Wood Limited (hereinafter called the "Company"). The address of the head office of the Company is Second Avenue, Port Arthur, Ontario and the post office address is P.O. Box 990, Port Arthur, Ontario.

2. The Company was incorporated under the laws of the Province of Ontario by letters patent dated the 20th day of February, 1964 with an authorized capital consisting of 100,000 Preference Shares with a par value of \$25 each, issuable in series, of which 36,000 were designated as \$1.70 Cumulative Redeemable Preference Shares, Series A, and 1,000,000 Common Shares without par value. Supplementary letters patent dated the 18th day of March, 1964 have been issued to the Company converting it into a public company.

3. The general nature of the business actually transacted or to be transacted by the Company, directly or through subsidiaries, is the production and treatment of wood products, the manufacture and sale of tar and tar products, the cutting of timber, pulpwood and saw logs, the operation of saw, tie and other mills, the preserving and treating of poles, ties and timber and the sale of lumber and wood products.

4. The names in full, the present occupations and the home addresses in full of the directors and officers of the Company are as follows:

Directors

JOHN SMITH GAIRDNER.....	<i>Investment Dealer</i>	1502 Lakeshore Highway East, Oakville, Ontario.
JOHN HOWARD HAWKE.....	<i>Investment Dealer</i>	303 Rose Park Drive, Toronto, Ontario.
FENWICK HEDLEY.....	<i>Woods Manager</i>	Suite 21, 151 Court Street North, Port Arthur, Ontario.
STANLEY FREDERICK MACK.....	<i>Manager</i>	232 Summit Avenue, Port Arthur, Ontario.
ROBERT JAMES PRETTIE.....	<i>Executive</i>	157 Summit Avenue, Port Arthur, Ontario.
HUGH VICTOR SHAW.....	<i>Investment Dealer</i>	1400 Goldthorpe Road, Port Credit, Ontario.

Officers

JOHN SMITH GAIRDNER.....	<i>Chairman of the Board</i>	1502 Lakeshore Highway East, Oakville, Ontario.
ROBERT JAMES PRETTIE.....	<i>President</i>	157 Summit Avenue, Port Arthur, Ontario.
STANLEY FREDERICK MACK.....	<i>Vice-President</i>	232 Summit Avenue, Port Arthur, Ontario.
ROBERT JOHN MCKESSOCK, C.A.....	<i>Secretary</i>	322 South Franklin Street, Fort William, Ontario.
ROBERT JOHN HARTVIKSEN	<i>Treasurer</i>	193 Farrand Street, Port Arthur, Ontario.

5. The auditors of the Company are Messrs. F. H. Black & Co., Chartered Accountants, 210 Public Utilities Building, Port Arthur, Ontario. Mr. F. H. Black, a partner in such firm, was a director of Northern Wood Preservers, Limited, a subsidiary of the Company, from June 7, 1958 (when he acquired 10 common shares of Northern Wood Preservers, Limited) to December 30, 1963 but had no beneficial interest in any shares of Northern Wood Preservers, Limited after February 28, 1963.

6. The transfer agent and registrar for the \$1.70 Cumulative Redeemable Preference Shares, Series A with a par value of \$25 each and Common Shares without par value in the capital of the Company is The Royal Trust Company at its principal transfer offices in the Cities of Toronto, Montreal, Winnipeg and Vancouver.

7. The authorized capital of the Company consists of 100,000 Preference Shares with a par value of \$25 each, issuable in series, and 1,000,000 Common Shares without par value. 36,000 of the said Preference Shares are designated as \$1.70 Cumulative Redeemable Preference Shares, Series A. Up to the date hereof 292,000 Common Shares have been issued and are outstanding as fully paid.

8. The Preference Shares with a par value of \$25 each (hereinafter called "Preference Shares") have attached thereto, as a class, preferences, rights, conditions, restrictions, limitations and prohibitions substantially as follows:

(a) The Preference Shares may at any time or from time to time be issued in one (1) or more series, each series to consist of such number of shares as may before the issue thereof be determined by the directors; the directors of the Company may (subject as hereinafter provided) by resolution fix from time to time before the issue thereof the designation, preferences, rights, conditions, restrictions, limitations or prohibitions attaching to the Preference Shares of each series including, without limiting the generality of the foregoing, the rate of preferential dividends, the dates of payment thereof, the redemption price and terms and conditions of redemption, conversion rights (if any) and any sinking fund or other provisions, the whole subject to the issue of Supplementary Letters Patent setting forth the designation, preferences, rights, conditions, restrictions, limitations or prohibitions attaching to the Preference Shares of such series;

(b) The Preference Shares of each series shall be entitled to preference over the Common Shares of the Company, and over any other shares ranking junior to the Preference Shares, with respect to priority in payment of dividends and in the distribution of assets in the event of the liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, or any other distribution of the assets of the Company among its shareholders for the purpose of winding up its affairs and may also be given such other preferences over the Common Shares of the Company and any other shares ranking junior to the Preference Shares as may be determined as to the respective series authorized to be issued;

(c) The Preference Shares of each series shall rank on a parity with the Preference Shares of every other series with respect to priority in payment of dividends and in the distribution of assets in the event of the liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, or any other distribution of the assets of the Company among its shareholders for the purpose of winding up its affairs; no series of Preference Shares shall be authorized which shall have a dividend rate in excess of seven per cent (7%) per annum on the amounts from time to time paid up thereon or be entitled to receive upon liquidation, dissolution or winding up or upon redemption a sum in excess of one hundred and ten per cent (110%) of the amounts paid up thereon plus a sum equivalent to all unpaid dividends accumulated thereon;

(d) The holders of the Preference Shares shall not be entitled as such (except as hereinafter specifically provided) to receive notice of or to attend any meeting of the shareholders of the Company or to vote at any such meeting (but shall be entitled to receive notice of meetings of shareholders of the Company called for the purpose of authorizing the dissolution of the Company or the sale of its undertaking or a substantial part thereof) unless and until the Company from time to time shall fail to pay in the aggregate eight (8) quarterly dividends on the Preference Shares of any one (1) series on the dates on which the same should be paid according to the terms thereof and unless and until eight (8) quarterly dividends on such shares shall remain outstanding and be unpaid whether or not consecutive and whether or not such dividends have been declared and whether or not there are any moneys of the Company properly applicable to the payment of dividends; thereafter but only so long as any dividends on the Preference Shares of any series remain in arrears the holders of the Preference Shares shall be entitled to receive notice of and to attend all meetings of shareholders of the Company and shall be entitled to one (1) vote in respect of each Preference Share held and in addition shall be entitled, voting separately and exclusively as a class, to elect two (2) members of the board of directors of the Company if the board consists of seven (7) or fewer directors or three (3) members of the board of directors if the board consists of more than seven (7) directors; nothing herein contained shall be deemed to limit the right of the Company from time to time to increase or decrease the number of its directors;

Notwithstanding anything contained in the by-laws of the Company, the term of office of all persons who may be directors of the Company at any time when the right to elect directors shall accrue to the holders of Preference Shares as herein provided, or who may be appointed as directors thereafter and before a meeting of shareholders shall have been held, shall terminate upon the election of directors at the next annual meeting of shareholders or at a general meeting of shareholders which may be held for the purpose of electing directors at any time after the accrual of such right to elect directors upon not less than twenty (20) days' written notice and which shall be called by the secretary of the Company upon the written request of the holders of record of at least one-tenth (1/10) of the outstanding Preference Shares; in default of the calling of such general meeting by the secretary within five (5) days after the making of such request, such meeting may be called by any holder of record of Preference Shares;

Any vacancy or vacancies occurring among members of the board elected by the holders of Preference Shares, voting separately and exclusively as a class, in accordance with the foregoing provisions may be filled by the board of directors with the consent and approval of the remaining director or directors elected by the holders of Preference Shares, voting separately and exclusively as a class, but if there be no such remaining director or directors the board may elect or appoint sufficient holders of Preference Shares to fill the vacancy or vacancies; whether or not such vacancy or vacancies is or are so filled by the board, the holders of record of at least one-tenth (1/10) of the outstanding Preference Shares shall have the right to require the secretary of the Company to call a meeting of the holders of Preference Shares for the

purpose of filling the vacancy or vacancies or replacing all or any of the persons elected or appointed to fill such vacancy or vacancies and the provisions of the last preceding paragraph shall apply with respect to the calling of any such meeting;

Notwithstanding anything contained in the by-laws of the Company (i) upon any termination of the said right to elect directors, the term of office of the directors elected or appointed to represent the holders of Preference Shares exclusively shall forthwith terminate and (ii) the holding of One (1) Preference Share shall be sufficient to qualify a person for election or appointment as a director of the Company to represent the holders of Preference Shares exclusively; and

(e) The authorization required by subsection 4 of section 33 of The Corporations Act to delete or vary any preference, right, condition, restriction, limitation or prohibition attaching to the Preference Shares as a class or to create preference shares ranking in priority to or on a parity with the Preference Shares may be given by at least two-thirds ($\frac{2}{3}$) of the votes cast at a meeting of the holders of the Preference Shares duly called for that purpose and held upon at least fifteen (15) days' notice at which the holders of at least a majority of the outstanding Preference Shares are present or represented by proxy; if at any such meeting the holders of a majority of the outstanding Preference Shares are not present or represented by proxy within one-half ($\frac{1}{2}$) an hour after the time appointed for such meeting, then the meeting shall be adjourned to such date being not less than twenty-one (21) days later and to such time and place as may be appointed by the chairman and not less than fifteen (15) days' notice shall be given of such adjourned meeting but it shall not be necessary in such notice to specify the purpose for which the meeting was originally called; at such adjourned meeting the holders of Preference Shares present or represented by proxy may transact the business for which the meeting was originally called and a resolution passed thereat by not less than two-thirds ($\frac{2}{3}$) of the votes cast at such meeting shall constitute the authorization of the holders of the Preference Shares referred to above; the formalities to be observed in respect of the giving of notice of any such meeting or adjourned meeting and the conduct thereof shall be those from time to time prescribed by the by-laws of the Company with respect to meetings of shareholders; on every poll taken at every such meeting or adjourned meeting every holder of Preference Shares shall be entitled to one (1) vote in respect of each Preference Share held.

The first series of the said class of Preference Shares consists of 36,000 shares with a par value of \$25 each (hereinafter referred to as the "Series A Preference Shares") designated "\$1.70 Cumulative Redeemable Preference Shares, Series A" and, in addition to the preferences, rights, conditions, restrictions, limitations and prohibitions attaching to the Preference Shares as a class, having attached thereto preferences, rights, conditions, restrictions, limitations and prohibitions substantially as follows:

(1) The holders of the Series A Preference Shares shall be entitled to receive and the Company shall pay thereon as and when declared by the board of directors out of the moneys of the Company properly applicable to the payment of dividends fixed cumulative preferential cash dividends at the rate of One dollar and Seventy cents (\$1.70) per share per annum payable quarterly on the first days of January, April, July and October in each year on the amounts from time to time paid up thereon; such dividends shall accrue from such date or dates not later than six (6) months after the respective dates of issue as may in the case of each issue be determined by the board of directors of the Company or in case no date be so determined then from the date of allotment; cheques of the Company payable at par at any branch of the Company's bankers for the time being in Canada (far northern branches excepted) shall be issued in respect of such dividends; if on any dividend payment date the dividend payable on such date is not paid in full on all the Series A Preference Shares then issued and outstanding, such dividend or the unpaid part thereof shall be paid on a subsequent date or dates determined by the board of directors of the Company on which the Company shall have sufficient moneys properly applicable to the payment of the same;

(2) In the event of the liquidation, dissolution or winding up of the Company or any other distribution of assets of the Company among its shareholders for the purpose of winding up its affairs the holders of the Series A Preference Shares shall be entitled to receive the amount paid up on such shares together with all accrued and unpaid preferential dividends (which for such purpose shall be calculated as if such dividends were accruing for the period from the expiration of the last quarterly period for which such dividends have been paid up to the date of distribution) before any amount shall be paid or any property or assets of the Company distributed to the holders of any Common Shares or shares of any other class ranking junior to the Series A Preference Shares; after payment to the holders of the Series A Preference Shares of the amount so payable to them they shall not be entitled to share in any further distribution of the property or assets of the Company;

(3) No dividends shall at any time be declared or paid upon or set apart for payment on any shares of the Company ranking junior to the Preference Shares unless all dividends up to and including the dividend payable for the last completed quarter on each series of the Preference Shares then issued and outstanding shall have been declared and paid or set apart for payment at the date of such declaration or payment or setting apart for payment on such shares of the Company ranking junior to the Preference Shares nor shall the Company call for redemption or purchase for cancellation or reduce or otherwise pay off any of the Preference Shares (less than the total amount then outstanding) or any shares of the Com-

pany ranking junior to the Preference Shares unless all dividends up to and including the dividend payable for the last completed quarter on each series of the Preference Shares then issued and outstanding shall have been declared and paid or set apart for payment at the date of such call for redemption, purchase, reduction or other payment off;

(4) Subject to the provisions of clause (3) hereof, the Company may at any time or times purchase (if obtainable) for cancellation all or any part of the Series A Preference Shares outstanding from time to time in the market (including purchase through or from an investment dealer or firm holding membership on a recognized stock exchange) or by invitation for tenders addressed to all the holders of record of the Series A Preference Shares outstanding at the lowest price or prices at which, in the opinion of the directors, such shares are obtainable but not exceeding the price at which, at the date of purchase, such shares are redeemable as provided in clause (5) hereof (including accrued and unpaid preferential dividends as provided in the said clause (5)) plus costs of purchase; if upon any invitation for tenders under the provisions of this clause the Company shall receive tenders of Series A Preference Shares at the same lowest price which the Company may be willing to pay in an aggregate number greater than the number for which the Company is prepared to accept tenders, the Series A Preference Shares so tendered which the Company determines to purchase at such price shall be purchased as nearly as may be pro rata (disregarding fractions) according to the number of Series A Preference Shares so tendered by each of the holders of Series A Preference Shares who submitted tenders at the said same lowest price;

(5) Subject to the provisions of clause (3) hereof, the Company may upon giving notice as hereinafter provided redeem at any time the whole or from time to time any part of the then outstanding Series A Preference Shares on payment for each share to be redeemed of the amount paid up on such share together with all accrued and unpaid preferential dividends (which for such purpose shall be calculated as if the dividends on the Series A Preference Shares were accruing for the period from the expiration of the last quarterly period for which such dividends have been paid up to the date of such redemption);

(6) In any case of redemption of Series A Preference Shares under the provisions of clause (5) hereof, the Company shall at least thirty (30) days before the date specified for redemption mail to each person who at the date of mailing is a registered holder of Series A Preference Shares to be redeemed a notice in writing of the intention of the Company to redeem such Series A Preference Shares; such notice shall be mailed in a prepaid letter addressed to each such shareholder at his address as it appears on the books of the Company or in the event of the address of any such shareholder not so appearing then to the last known address of such shareholder; provided, however, that accidental failure or omission to give any such notice to one (1) or more of such holders shall not affect the validity of such redemption; such notice shall set out the redemption price and the date on which redemption is to take place and if part only of the Series A Preference Shares held by the person to whom it is addressed is to be redeemed the number thereof so to be redeemed; on or after the date so specified for redemption the Company shall pay or cause to be paid to or to the order of the registered holders of the Series A Preference Shares to be redeemed the redemption price on presentation and surrender at the head office of the Company or any other place within Canada designated in such notice of the certificates representing the Series A Preference Shares so called for redemption; such payment shall be made by cheques payable at par at any branch of the Company's bankers for the time being in Canada (far northern branches excepted); if a part only of the Series A Preference Shares represented by any certificate shall be redeemed, a new certificate for the balance shall be issued at the expense of the Company; from and after the date specified for redemption in any such notice, the Series A Preference Shares called for redemption shall cease to be entitled to dividends and the holders thereof shall not be entitled to exercise any of the rights of shareholders in respect thereof unless payment of the redemption price shall not be made upon presentation of certificates in accordance with the foregoing provisions, in which case the rights of the holders shall remain unaffected; the Company shall have the right at any time after the mailing of notice of its intention to redeem any Series A Preference Shares as aforesaid to deposit the redemption price of the Series A Preference Shares so called for redemption or of such of the said shares represented by certificates as have not at the date of such deposit been surrendered by the holders thereof in connection with such redemption to a special account in any chartered bank or any trust company in Canada named in such notice to be paid without interest to or to the order of the respective holders of such Series A Preference Shares called for redemption upon presentation and surrender to such bank or trust company of the certificates representing the same and upon such deposit being made or upon the date specified for redemption in such notice, whichever is the later, the Series A Preference Shares in respect whereof such deposit shall have been made shall be redeemed and the rights of the holders thereof after such deposit or such redemption date, as the case may be, shall be limited to receiving without interest their proportionate part of the total redemption price so deposited against presentation and surrender of the said certificates held by them respectively; any interest allowed on any such deposit shall belong to the Company;

(7) Subject as hereinafter provided, so long as any of the Series A Preference Shares are outstanding the Company shall on or before the first day of March in each year, commencing with the year 1966, set aside as a purchase fund for the purchase of Series A Preference Shares for cancellation the sum of Twenty Thousand dollars (\$20,000); provided that if under the foregoing provisions the Company would be required to set aside in any year for purchase fund purposes an amount which when added to

the amounts theretofore set aside as a purchase fund in respect of the Series A Preference Shares and not used or applied on or before the first day of February in such year for the purposes hereinafter provided would aggregate an amount in excess of Eighty Thousand dollars (\$80,000) then the Company in such year shall only be required to set aside for purchase fund purposes an amount which when added to the said amounts theretofore set aside and not used or applied as aforesaid will equal Eighty Thousand dollars (\$80,000);

Subject to the provisions of clause (3) hereof and as hereinafter in this clause provided, the amounts from time to time set aside as a purchase fund in respect of the Series A Preference Shares shall be applied as soon as practicable to the purchase of Series A Preference Shares (if obtainable) in the market at the lowest price or prices at which in the opinion of the directors such shares are obtainable but not exceeding an amount equal to the amount paid up thereon plus costs of purchase; to the extent to which Series A Preference Shares cannot be so purchased at prices not exceeding the said price the Company shall not be obligated to make any application of the purchase fund in the purchase of Series A Preference Shares but shall reserve the same until such shares in the opinion of the directors can be so purchased and so on from time to time so long as any of the Series A Preference Shares shall be outstanding; any moneys set aside in the purchase fund in accordance with the foregoing provisions need not be kept separate from other moneys of the Company and pending the application thereof in the purchase of Series A Preference Shares in accordance with the provisions of this clause (7) may be employed in the business of the Company; notwithstanding the foregoing the Company may at any time reduce or extinguish the purchase fund or anticipate the whole or any part of its purchase fund obligations by purchasing or redeeming Series A Preference Shares as provided in clauses (4) and (5) hereof and charging or crediting the cost of, or amount required to redeem, such Series A Preference Shares to reduce or extinguish the purchase fund or in reduction of any purchase fund obligations thereafter becoming due;

Notwithstanding anything herein contained the Company shall not purchase Series A Preference Shares out of the purchase fund or make any application of the purchase fund in the purchase of Series A Preference Shares if after giving effect to such purchase the aggregate amount declared and/or paid subsequent to the incorporation of the Company as dividends (other than in shares of the Company) on all shares of all classes of the Company and distributed and/or paid (on redemption, reduction, purchase or other payment off) subsequent to the incorporation of the Company in respect of all shares of all classes of the Company will be greater than the aggregate of the consolidated net earnings available for dividends of the Company and its subsidiaries subsequent to the thirty-first day of December, A.D. 1963, plus the net cash proceeds to the Company of the issue after the first day of May, A.D. 1964, of any of its shares;

"Consolidated net earnings available for dividends" of the Company and its subsidiaries means all the gross earnings and income of the Company and all its subsidiaries from all sources less all administrative, selling and operating charges and expenses of every character and all fixed charges of the Company and all its subsidiaries (but excluding gains or losses on the disposal of investments and fixed assets) arrived at on a consolidated basis in accordance with generally accepted accounting practice; without limiting the generality of the foregoing, operating charges and expenses shall include insurance, maintenance, repairs, renewals (except such expenditures for renewals as are chargeable to capital account in accordance with generally accepted accounting practice), rentals, licences, taxes (including taxes on income), all interest, such provisions or allowances for bad and doubtful debts as the directors in their discretion with the approval of the Company's auditors may determine and, in addition to actual expenditures for maintenance, reasonable allowance for depreciation; provided that the net earnings of any subsidiary for the purpose of this definition shall only include such part of the net earnings and income of such subsidiary calculated as aforesaid as under generally accepted accounting practice is applicable to those shares of such subsidiary which are held by the Company or any other subsidiary, that the earnings or losses of Northern Wood Preservers, Limited and its subsidiaries as at the first day of January, A.D. 1964 shall be included from the first day of January, A.D. 1964, that the earnings or losses of any other subsidiary shall only be included from the date when such subsidiary became a subsidiary of the Company and that the Company's auditors shall determine the earnings or losses of any subsidiary other than Northern Wood Preservers, Limited and its subsidiaries as at the first day of January, A.D. 1964, for the period from the date when such subsidiary became a subsidiary of the Company to the end of the fiscal year of such subsidiary during which it became a subsidiary of the Company;

"Subsidiary" means (a) any corporation or company of which all the outstanding shares of each class of its shares are for the time being owned by or held for the Company and/or any other corporation or company in like relation to the Company and includes any corporation or company in like relation to a subsidiary; and (b) any corporation or company of which more than fifty per cent (50%) of the outstanding voting shares are for the time being owned by or held for the Company and/or any subsidiary of the Company if but only if the directors of the Company by resolution (passed either before or after fifty per cent (50%) of the outstanding voting shares of such corporation or company become owned by or held for the Company and/or any subsidiary of the Company) determine that such corporation or company shall be deemed to be a subsidiary of the Company and only so long as more than fifty per cent (50%) of the outstanding voting shares of such corporation or company are owned by or held for the Company and/or any subsidiary of the Company; any such resolution shall not be revocable and shall be conclusive

and binding upon all parties in interest; "voting shares" as used in this definition means shares of any class carrying voting rights but shall not include shares of any class carrying limited voting rights or carrying voting rights by reason of the happening of any contingency whether or not such contingency shall have happened; if by reason of any such resolution any corporation or company (hereinafter called a "deemed subsidiary") is deemed to be a subsidiary of the Company then any corporation or company of which more than fifty per cent (50%) of the outstanding voting shares are or shall at any time be owned by or held for a deemed subsidiary and/or any other corporation or company in like relation to a deemed subsidiary shall be deemed to be a subsidiary of the Company and any other corporation or company in like relation to such a corporation or company shall also be deemed to be a subsidiary of the Company;

For the purposes of this clause (7) and of clause (8) hereof and subject to the foregoing provisions hereof the directors of the Company may from time to time determine the consolidated net earnings available for dividends of the Company and its subsidiaries as of a date not more than ninety (90) days prior to the making of such determination and may determine such consolidated net earnings available for dividends to be not less than a stated amount without determining the exact amount thereof; in making any such determination the directors shall consider and may rely on the last available audited consolidated balance sheet of the Company and its subsidiaries and/or the last available audited balance sheet of the Company reported on by the Company's auditors and may consider and rely on the last available unaudited consolidated balance sheet of the Company and its subsidiaries and/or the last available unaudited balance sheet of the Company prepared by the accounting officers of the Company and upon any other financial statement, report or other data which they may consider reliable; provided that the directors shall not make any such determination on the basis of any such balance sheet, statement, report or other data if to their knowledge any event has happened which would materially and adversely affect such consolidated net earnings available for dividends as determined on such basis; upon any determination having been made by the directors under the foregoing provisions the consolidated net earnings available for dividends of the Company and its subsidiaries as at any date within a period of ninety (90) days following the date as of which such determination is made (unless any further determination of such consolidated net earnings available for dividends is so made within the said period) shall be conclusively deemed to be not less than the amount stated in such determination and such determination shall be conclusive and binding on the Company and the holders of shares of every class;

- (8) So long as any of the Series A Preference Shares are outstanding the Company shall not
- (i) declare or pay any dividends (other than stock dividends in shares of the Company ranking junior to the Series A Preference Shares) on any of its shares at any time outstanding and ranking junior to the Series A Preference Shares; or
 - (ii) redeem, reduce, purchase or otherwise pay off any of its shares at any time outstanding and ranking junior to the Series A Preference Shares (except out of the proceeds of an issue of shares ranking junior to the Series A Preference Shares made at any time after the first day of May, A.D. 1964, and prior to or contemporaneously with any such redemption, reduction, purchase or payment); or
 - (iii) elect to pay any tax on undistributed income under the provisions of Section 105 of the Income Tax Act (Revised Statutes of Canada 1952, Chapter 148) as now enacted or as the same may from time to time be amended or re-enacted or elect to pay any tax under any similar provisions

unless immediately after giving effect to such action the aggregate amount

- (a) declared and/or paid subsequent to the incorporation of the Company as dividends (other than stock dividends in shares of the Company ranking junior to the Series A Preference Shares) on all shares of all classes of the Company; and
- (b) distributed and/or paid (on redemption, reduction, purchase or other payment off) subsequent to the incorporation of the Company in respect of all shares (other than Preference Shares) of all classes of the Company; and
- (c) elected to be paid as tax as mentioned in subdivision (iii) immediately preceding

will not be more than the aggregate of the consolidated net earnings available for dividends of the Company and its subsidiaries subsequent to the thirty-first day of December, A.D. 1963, determined in the manner hereinbefore provided, plus the net cash proceeds to the Company of the issue after the first day of May, A.D. 1964, of any shares of its capital ranking junior to the Series A Preference Shares;

(9) The Company shall not issue any Preference Shares in excess of the Thirty-six Thousand (36,000) Series A Preference Shares without the prior approval of the holders of the Series A Preference Shares given as hereinafter specified unless the average annual consolidated net earnings available for dividends of the Company and its subsidiaries for the two (2) completed fiscal years next preceding the date of issuance have been at least equal to three (3) times the annual dividend requirements on all the Preference Shares to be outstanding immediately after such issue; a report of the Company's auditors for the time being as to whether the Company is or is not entitled to issue any Preference Shares without the prior approval aforesaid shall be conclusive and binding on the Company and the holders of shares of every class;

"Consolidated net earnings available for dividends" as used in this clause (9) means the consolidated net earnings available for dividends of the Company and its subsidiaries calculated as provided in clause (7) hereof except that in calculating consolidated net earnings available for dividends in connection with a proposed issue of Preference Shares (but not for any other purpose) the Company shall be deemed to have had completed fiscal years in each of the years 1962 and 1963 and for such years the consolidated net earnings available for dividends (calculated in accordance with the provisions herein contained respecting consolidated net earnings available for dividends) of Northern Wood Preservers, Limited (a company incorporated under the laws of the Province of Ontario by letters patent dated the second day of May, A.D. 1935) and its subsidiaries for their fiscal years ended in such years shall be included as net earnings of the Company and the auditors of the Company may rely upon a report of the auditors of the said Northern Wood Preservers, Limited and its subsidiaries with respect to such consolidated net earnings available for dividends;

(10) No class of shares may be created ranking as to capital or dividends prior to or on a parity with the Preference Shares without the approval of the holders of the Series A Preference Shares given as hereinafter specified nor shall the authorized amount of Preference Shares be increased without such approval; provided that nothing in this clause (10) contained shall prevent the Company from issuing additional series of the authorized Preference Shares without such approval;

(11) The provisions hereof contained in clauses numbered (1) to (12) both inclusive and clauses lettered (a) to (e) both inclusive or any of them may be deleted, varied, modified, amended or amplified by Supplementary Letters Patent but only with the approval of the holders of the Series A Preference Shares given as hereinafter specified, in addition to any vote or authorization required by The Corporations Act; and

(12) The approval of holders of the Series A Preference Shares as to any and all matters referred to herein (in addition to or as distinct from any vote or authorization required by The Corporations Act) may be given by resolution passed at a meeting of the holders of the Series A Preference Shares duly called and held upon at least fifteen (15) days' notice at which the holders of at least a majority of the outstanding Series A Preference Shares are present or represented by proxy and carried by the affirmative vote of the holders of not less than two-thirds ($\frac{2}{3}$) of the Series A Preference Shares represented and voted at such meeting cast on a poll; if at any such meeting the holders of a majority of the outstanding Series A Preference Shares are not present or represented by proxy within half an hour after the time appointed for the meeting, then the meeting shall be adjourned to such date being not less than twenty-one (21) days later and to such time and place as may be appointed by the chairman and at least fifteen (15) days' notice shall be given of such adjourned meeting but it shall not be necessary in such notice to specify the purpose for which the meeting was originally called; at such adjourned meeting the holders of Series A Preference Shares present or represented by proxy may transact the business for which the meeting was originally called and a resolution passed thereat by the affirmative vote of the holders of not less than two-thirds ($\frac{2}{3}$) of the Series A Preference Shares represented and voted at such adjourned meeting cast on a poll shall constitute the approval of the holders of Series A Preference Shares referred to above; the formalities to be observed with respect to the giving of notice of any such meeting or adjourned meeting and the conduct thereof shall be those from time to time prescribed in the by-laws of the Company with respect to meetings of shareholders; on every poll taken at every such meeting or adjourned meeting every holder of Series A Preference Shares shall be entitled to one (1) vote in respect of each Series A Preference Share held;

Any authorization required by subsection 4 of section 33 of The Corporations Act may be given by at least two-thirds ($\frac{2}{3}$) of the votes cast at a meeting of the holders of the Series A Preference Shares duly called for that purpose.

The holders of the Common Shares are entitled to one vote for each such share held.

9. There are no bonds, debentures or other securities outstanding or proposed to be issued by the Company which, if issued, would rank ahead of or *pari passu* with the securities offered by this prospectus except as referred to in paragraph 10 hereof. The Series A Preference Shares will rank ahead of the Common Shares offered by this prospectus to the extent specified in the statement of preferences, rights, conditions, restrictions, limitations and prohibitions attaching to the Preference Shares as a class and to the Series A Preference Shares as set forth in paragraph 8 hereof.

Northern Wood Preservers, Limited (hereinafter sometimes called "Northern Wood") has issued its 6.50% Secured Debenture (hereinafter sometimes called the "said Debenture") dated May 7, 1963 in the aggregate principal amount of \$1,300,000 with interest at the rate of $6\frac{1}{2}\%$ per annum and maturing on May 15, 1978, which said Debenture is outstanding. The said Debenture will in effect rank ahead of the securities offered by this prospectus since it is an obligation of Northern Wood, all the shares of Northern Wood being owned by the Company. The said Debenture is payable as to \$70,000 on May 15 in each of the years 1964 to 1968 inclusive, as to \$95,000 on May 15 in each of the years 1969 to 1977 inclusive and as to the balance of the said principal amount on May 15, 1978. Interest at the rate of $6\frac{1}{2}\%$ is payable semi-annually on the 15th days of May and November in each year.

The said 6.50% Secured Debenture was issued pursuant to an agreement (hereinafter called the "said agreement") dated as of April 16, 1963 between Northern Wood and The Prudential Insurance Company of America (hereinafter called "Prudential") and is secured by (i) a first mortgage on the real property in the Province of Ontario owned by Northern Wood; (ii) a first mortgage on the leasehold property in the City of Port Arthur in the Province of Ontario of Northern Wood; (iii) a first floating charge on the undertaking and all other properties and assets of Northern Wood then owned or thereafter acquired other than real property and leaseholds specifically mortgaged or charged as aforesaid; (iv) the joint and several unconditional guarantees of Northern Wood Preservers (Saskatchewan) Limited, Northern Forest Products Ltd. and Northern Tar & Chemical Company Limited, which guarantees are secured by first mortgages or charges on the real property of such companies and first floating charges on the undertakings and the other properties and assets of such companies then owned or thereafter acquired other than real property specifically mortgaged or charged as aforesaid.

The said agreement permits Northern Wood to prepay the said Debenture in certain circumstances in whole and in other circumstances in whole or in part, in certain cases without premium and in other cases with certain specified premiums.

In the said agreement Northern Wood covenants among other things that without the consent of Prudential:

(a) Northern Wood will not permit consolidated working capital (as defined) at any time to be less than \$1,000,000;

(b) Northern Wood will not, and will not permit any subsidiary to, make any restricted payment (as defined) except out of consolidated net earnings available for restricted payments (as defined) and only if, after giving effect to any such restricted payment, the consolidated net tangible worth (as defined) of Northern Wood and its subsidiaries is not less than \$1,250,000;

(c) Northern Wood will not, and will not permit any subsidiary to:

1. Create, assume or suffer to exist any mortgage, pledge, encumbrance, lien or charge of any kind (including the charge upon property purchased under conditional sales or other title retention agreements) upon any of its property or assets whether then owned or thereafter acquired with certain exceptions therein set out;

2. Create, incur, assume or suffer to exist any funded or current debt with certain exceptions including (i) funded debt represented by then existing indebtedness in an amount not in excess of \$16,000; (ii) funded debt incurred after April 30, 1963 and represented by purchase money mortgages or conditional sale or other title retention agreements on real property or production equipment in each case in principal amounts not in excess of $66\frac{2}{3}\%$ of the cost or fair market value whichever is less of such real property or production equipment at the time the same is acquired, provided the aggregate of the funded debt permitted under this subdivision shall not at any one time exceed \$250,000; and (iii) current debt not in excess of the aggregate of (A) 100% of the book value of certain specified inventory and (B) 50% of the aggregate of the book value of all remaining inventories, work in progress and consolidated net trade accounts receivable (after due provision for bad debts) and of cash of Northern Wood and its subsidiaries, as determined in accordance with generally accepted accounting practice;

3. Make or permit to remain outstanding any loan (including any mortgage) or advance to or own, purchase or acquire any stock or securities of, any person with certain exceptions therein set out;

4. Except as permitted in the said agreement, sell, issue or otherwise dispose of any shares of stock or funded debt or current debt of any subsidiary except to Northern Wood or another subsidiary and except that all shares of stock and debt of any subsidiary at the time owned by or owed to Northern Wood and all subsidiaries may be sold as an entirety for a cash consideration which represents the fair value at the time of sale of the shares and debt so sold, provided that the assets of such subsidiary do not constitute a substantial part of the consolidated assets of Northern Wood and all subsidiaries and provided further that at the time of such sale such subsidiary shall not own, directly or indirectly, any debt of Northern Wood or any shares of stock or debt of any other subsidiary (unless all the shares of stock and debt of such other subsidiary owned, directly or indirectly, by Northern Wood and all subsidiaries are simultaneously being sold);

5. Merge or consolidate with any other corporation or sell, lease or transfer or otherwise dispose of all or a substantial part of its assets to any person, and, without limiting the generality of the foregoing, shall not sell, lease or transfer or otherwise dispose of, in whole or in part, the plant of Northern Wood and all undertaking or facilities therein located in the City of Port Arthur in the Province of Ontario on lands described in the mortgage of leasehold property above referred to except certain mergers, consolidations, sales and leases between Northern Wood and its subsidiaries and between the subsidiaries as therein set out;

6. Enter into or permit to remain in effect any agreements to rent or lease any real property for a term (including all right to renewals) in excess of one year providing for payments pursuant to all such agreements in excess of an aggregate amount of \$75,000 per annum by Northern Wood and all subsidiaries except leases on timber limits from Her Majesty the Queen or leases permitted by immediately preceding subclause 5 of clause (c) of this paragraph 9 of this prospectus;

7. Directly or indirectly purchase, acquire or lease any property (other than shares of stock of Northern Wood) from or sell, transfer, dispose of or lease any property (other than shares of stock of Northern Wood) to or otherwise deal with, in the ordinary course of business or otherwise

(i) any person having, beneficially or of record, directly or indirectly, either individually or together with all other persons to whom such person is related by blood, adoption or marriage, shares of stock of Northern Wood of any class having ordinary voting powers for the election of directors aggregating 5% or more of such voting power, or

(ii) any person related by blood, adoption or marriage to any person described or coming within the provisions of the immediately preceding subdivision (i) of this subclause 7, or

(iii) any affiliate (as defined)

except upon terms no less favourable to Northern Wood than would be the case if such relationship did not exist and subject to the conditions set forth in subclause 2 of clause (c) of this paragraph 9 of this prospectus and except that any such person may be a director or officer or employee of Northern Wood or any subsidiary and may be paid reasonable compensation in connection therewith;

8. Discount or sell with recourse or sell for less than the face value thereof any of its notes or accounts receivable;

9. Enter into or be a party to any contract for the purchase of material, supplies or other property if such a contract requires that payment for such materials, supplies or other property shall be made regardless of whether or not delivery is ever made of such materials, supplies or other property;

(d) Northern Wood will not permit any subsidiary to issue, sell or dispose of any shares of any class of its stock (other than directors' qualifying shares) except to Northern Wood or another subsidiary; and

(e) Northern Wood will not agree to any amendment, change, modification, termination or surrender of the lease of leasehold property of Northern Wood in the said City of Port Arthur above referred to.

The said agreement contains, among others, definitions of the following terms substantially as follows:

"Affiliate" means any corporation the shares of the stock of which (of any class or classes having ordinary voting power for the election of directors), aggregating 25% or more of such voting power, are owned, at any time as of which a determination is being made, by persons described or coming within or coming within the provisions of subdivisions (i) or (ii) of subclause 7 of clause (c) of this paragraph 9 of this prospectus.

"Consolidated net earnings" means consolidated gross revenues of Northern Wood and its subsidiaries including all capital gains less all operating and non-operating expenses of Northern Wood and its subsidiaries, including taxes on income and all capital losses, all determined in accordance with generally accepted accounting principles provided that excess compensation payments shall not be included in expense and any capital gain shall not be included in gross revenue except to the extent that it may offset capital losses incurred during the twelve months immediately preceding or following the realization of such capital gain.

"Consolidated net earnings available for restricted payments" means \$85,000 plus an amount equal to 100% of consolidated net earnings for the period (taken as one accounting period) commencing on January 1, 1963, and terminating at the end of the last fiscal quarter preceding the date of any proposed restricted payment, less the sum of all restricted payments made after December 31, 1962.

"Consolidated tangible net worth" means the excess of

(a) the sum of (i) the aggregate value stated on the books of Northern Wood of the issued and outstanding capital stock of all classes of Northern Wood, and (ii) the amount of the surplus, whether paid in, capital or earned, of Northern Wood (except surplus created through a revaluation of assets),

over

(b) the aggregate book value of all assets of an intangible nature,

determined in accordance with generally accepted accounting principles consistent with those followed in the preparation of certain financial statements referred to in the said agreement as at a date not more than 90 days prior to the date as of which the determination is being made.

"Consolidated working capital" means the excess of consolidated current assets over consolidated current liabilities of Northern Wood and its subsidiaries, both determined in accordance with generally accepted accounting principles, consistent with those followed in the preparation of certain financial statements as of December 31, 1962 referred to in the said agreement, provided that there shall not be

included in current assets any loans or advances made by Northern Wood or any subsidiary nor any assets located outside (including any amounts payable by persons located outside) Canada and the United States of America.

“Excess compensation payments” means the excess over \$40,000 of the sum of (i) the aggregate amount of all salaries, bonuses and other compensation, exclusive of dividends, paid by Northern Wood and all subsidiaries after February 28, 1963, during any fiscal year to all shareholding employees of Northern Wood or any subsidiary and (ii) the aggregate amount of all management fees or other compensation (other than such fees and compensation paid in respect of bona fide transactions entered into in the ordinary course of business upon terms no less favourable to Northern Wood or such subsidiaries than would be the case if the relationship mentioned hereunder did not exist) exclusive of dividends, paid by Northern Wood and all subsidiaries during any fiscal year to any corporate shareholder of Northern Wood or any subsidiary if such corporate shareholder holds stock of Northern Wood or any subsidiary (of any class or classes having ordinary voting power for the election of directors) aggregating 5% or more of such voting power, or to any shareholder, director, officer, agent or employee of any such corporate shareholder.

“Funded debt” means any debt or obligation payable more than one year from the date of the creation thereof, which under generally accepted accounting principles is shown on the balance sheet as a liability, and “current debt” shall mean any debt for borrowed money or obligation for borrowed money (including notes payable and drafts accepted representing extension of credit whether or not representing obligations for borrowed money) payable on demand or within a period of one year from the date of the creation thereof; provided that any obligation shall be treated as funded debt, regardless of its term, if such obligation is renewable pursuant to the terms thereof or of a revolving credit or similar agreement effective for more than one year after the date of the creation of such obligation, or may be payable out of the proceeds of a similar obligation pursuant to the terms of such obligation or of any such agreement; provided further that when used in the expressions “funded debt” and “current debt” the word “debt” shall include guarantees, endorsements or other contingent liabilities in connection with the obligations, stock or dividends of any person, other than endorsements in the ordinary course of business of negotiable instruments in the course of collection.

“Restricted payment” means any one or more of the following:

- (i) the payment or declaration of any dividend on any class of shares of Northern Wood or any subsidiary or the making of any other distribution on account of any class of their respective shares;
- (ii) the redemption, purchase or other acquisition by Northern Wood directly or indirectly of any shares of the stock of Northern Wood;
- (iii) the payment of tax on undistributed income under section 105 of the Income Tax Act (Canada) or any section or provision amending such section 105 or substituted therefor; and
- (iv) the making of any excess compensation payment;

provided that there shall not be included in any computation of restricted payments:

- (a) dividends payable in stock of Northern Wood, or
- (b) exchanges of stock of one or more classes of Northern Wood, except to the extent that cash or other value is involved in such exchange, or
- (c) dividends by a subsidiary to Northern Wood or another subsidiary, or
- (d) redemptions, purchases or acquisitions of any shares of the capital stock of Northern Wood or any subsidiary, to the extent that Northern Wood or such subsidiary has received net cash proceeds from the sale or issue of shares in its capital stock after the date of the said agreement and substantially contemporaneously therewith, or
- (e) certain past redemptions and dividends.

“Shareholding employee” means and includes any director, officer, employee or agent of Northern Wood or any subsidiary (i) owning, beneficially or of record, directly or indirectly, at any time during any year with respect to which a computation is being made, either individually or together with all persons to whom such director, officer, employee or agent, as the case may be, is related by blood, adoption or marriage, shares of stock of Northern Wood or any subsidiary (of any class or classes having ordinary voting power for the election of directors) aggregating 5% or more of such voting power, or (ii) related by blood, adoption or marriage to any person described in or coming within the provisions of clause (i) of this sub-paragraph and the term “shareholding employee” shall also include any corporation other than Northern Wood or any subsidiary, of which at least 5% of its stock (of any class or classes having ordinary voting power for the election of directors) is owned by shareholding employees.

“Subsidiary” means any corporation organized under the laws of Canada, any province of Canada, or any state of the United States of America, and which conducts the major portion of its business in Canada or the United States of America, and in which more than 50% of the stock of every class at the time as of which any determination is being made is owned by Northern Wood either directly or through subsidiaries.

10. No substantial indebtedness not shown in pro forma consolidated balance sheet B of the Company and its wholly owned subsidiaries as at December 31, 1963 forming part of this prospectus is now intended to be created or assumed by the Company except that negotiations are currently being carried on for the acquisition by the Company and/or one of its wholly owned subsidiaries of a pipe enamel business having fixed assets valued at about \$20,000 and accounts receivable and inventories having a book value of about \$275,000. If this purchase takes place, the Company and/or such subsidiary propose to borrow, directly or indirectly, the purchase price from their banker and such borrowing will rank ahead of the securities offered by this prospectus. Details of the security to be given for such borrowing cannot presently be given but it is anticipated that such inventory and accounts receivable will be pledged and assigned by the Company or included in inventory and accounts receivable already pledged and assigned by such subsidiary to secure present bank indebtedness of such subsidiary. The subsidiaries of the Company have secured their respective borrowings from their banker by pledges of inventory and assignments of accounts receivable and each subsidiary has guaranteed payment of the bank loans of all other subsidiaries.

11. There are no securities of the Company covered by options outstanding or proposed to be given by the Company except that the Company has granted, by option agreements dated March 17, 1964, irrevocable options to purchase from time to time up to March 31, 1969 in the aggregate 20,000 Common Shares of the Company at the price of \$2.50 per share to certain officers and employees of the Company or its subsidiaries, namely: Robert James Prettie, Stanley Frederick Mack, Fenwick Hedley, H. L. Anderson, Robert John Hartviksen, Charles McWha and R. B. Grant. Each of the said option agreements provides in effect, among other things, that the maximum number of shares in respect of which the option may be exercised shall not exceed on a cumulative basis $\frac{1}{5}$ of such shares in respect of which the option is granted for each year or part of a year during which the option is in force, that the option is exercisable on giving the prescribed notice and payment of the subscription price of the Common Shares in respect of which the option is exercised, that in the event of death of the optionee while employed by the Company or a subsidiary the legal personal representatives have certain limited rights to exercise the option, that in the event of the optionee ceasing to be employed by the Company or a subsidiary (otherwise than upon death) the option is forthwith terminated and that in the event of subdivision, redivision, consolidation or change of the Common Shares the number of Common Shares in respect of which the option may be exercised is to be adjusted accordingly.

12. The Company proposes to issue 36,000 \$1.70 Cumulative Redeemable Preference Shares, Series A with a par value of \$25 each (hereinafter sometimes called "Series A Preference Shares") and 108,000 Common Shares without par value (hereinafter called "Common Shares"). The securities offered by this prospectus are as stated on the face of this prospectus to which reference is hereby made.

Pursuant and subject to the terms and conditions of an underwriting agreement dated March 19, 1964 between the Company and Gairdner & Company Limited (herein referred to as the "Underwriter") the Underwriter has agreed to buy on its own behalf and the Company has agreed to sell on the terms and conditions set forth in the said underwriting agreement:

- (a) the said 36,000 Series A Preference Shares at the price of \$25 per share flat; and
- (b) the said 108,000 Common Shares at the aggregate price of \$270,000 (being at the rate of \$2.50 per share).

The price payable to the Company for the 36,000 Series A Preference Shares and 108,000 Common Shares is in each case payable by the Underwriter on the issuance thereof to the Underwriter. The issue price to the public of the Series A Preference Shares and Common Shares is \$33 per unit, each unit consisting of 1 Series A Preference Share and 3 Common Shares.

By the said underwriting agreement, the Company has agreed to pay the Underwriter a commission of \$1.50 per Series A Preference Share in consideration of the Underwriter subscribing for the said 36,000 Series A Preference Shares. The said commission is payable by the Company at the time of the issue of the Series A Preference Shares to the Underwriter against payment of the purchase price therefor. No commission was or is payable by the Company in connection with the issue of the outstanding Common Shares or the Common Shares included in the units offered by this prospectus. The Underwriter will be acquiring the units offered by this prospectus at an aggregate price of \$32.50 per unit and as stated on the face of this prospectus the issue price to the public of each unit is \$33.

No securities have been offered for subscription within the two years preceding the date hereof.

13. The estimated net proceeds to be derived from the issue and sale by the Company of the Series A Preference Shares and the said 108,000 Common Shares on the basis of the same being fully taken up and paid for are \$1,116,000 less legal and auditing fees and other expenses in connection with the issue, which fees and expenses are estimated at \$20,000.

14. The net proceeds to be derived by the Company from the sale of the Series A Preference Shares and the said 108,000 Common Shares proposed to be issued (after payment of the preliminary expenses referred to in paragraph 20 hereof) will, together with certain funds of the Company on hand, be used to retire the Company's bank indebtedness hereinafter referred to in the amount of \$1,095,000 and accrued interest.

15. In the opinion of the directors the minimum amount which must be raised by the issue of Series A Preference Shares and the said 108,000 Common Shares to provide for the sums required for the purposes mentioned in paragraph 14 hereof is \$1,116,000. Reference is made to paragraphs 12 and 13 hereof.

16. By an underwriting agreement dated March 19, 1964 between the Company and the Underwriter the Company has agreed to sell and the Underwriter has agreed to buy 36,000 \$1.70 Cumulative Redeemable Preference Shares, Series A and the said 108,000 Common Shares at the prices referred to in paragraph 12 hereof, all pursuant and subject to the terms and conditions of the said underwriting agreement.

17. The by-laws of the Company contain the following provisions as to the remuneration of the directors:

"The remuneration to be paid to the directors shall be such as the board of directors shall from time to time determine and such remuneration shall be in addition to the salary paid to any officer or employee of the Company who is also a member of the board of directors. The directors may also by resolution award special remuneration to any director undertaking any special services on the Company's behalf other than the routine work ordinarily required of a director by the Company and the confirmation of any such resolution or resolutions by the shareholders shall not be required. The directors shall also be entitled to be paid their travelling and other expenses properly incurred by them in connection with the affairs of the Company."

18. The first financial year of the Company will end on December 31, 1964. The aggregate remuneration estimated to be paid or payable by the Company in the current financial year to directors of the Company, as such, is \$3,500. The aggregate remuneration estimated to be paid or payable in the current financial year by the Company and its subsidiaries to officers of the Company, as officers of the Company and its subsidiaries, who individually are entitled to receive remuneration in excess of \$10,000 per annum is \$72,400.

19. No amount has been paid within the two preceding years or is now payable by the Company as a commission for subscribing or agreeing to subscribe or procuring or agreeing to procure subscriptions for shares in or obligations of the Company other than as set out in paragraph 12 hereof, reference to which is hereby made.

20. The estimated amount of preliminary expenses of the Company is \$25,000 inclusive of the fees and expenses referred to in paragraph 13 hereof.

21. No property has been purchased or acquired by the Company or is proposed to be purchased or acquired by the Company the purchase price of which is to be defrayed in whole or in part out of the proceeds of the securities hereby offered or has been paid within the last two years preceding the date hereof or is to be paid in whole or in part in securities of the Company or the purchase or acquisition of which has not been completed at the date hereof other than transactions entered into in the ordinary course of operations or on the general credit of the Company and except the purchase by the Company of 20,000 common shares without par value (being all the outstanding shares) of Northern Wood Preservers, Limited from Gairdner, Son & Company Limited, 10th Floor, 320 Bay Street, Toronto, Ontario for \$1,625,000 which sum was satisfied by the allotment and issue as fully paid and non-assessable of 100,000 Common Shares of the Company to Gairdner, Son & Company Limited and by payment of \$1,375,000 to Gairdner, Son & Company Limited. No amount has been paid for goodwill in connection with the purchase of the outstanding shares of Northern Wood Preservers, Limited. The item for goodwill and patent rights shown in the pro forma consolidated balance sheets A and B was part of the consideration received by Northern Wood Preservers (Saskatchewan) Limited for common shares issued by it in 1938. \$1,095,000 of the said \$1,375,000 was borrowed by the Company from a chartered bank. Gairdner, Son & Company Limited has guaranteed the repayment of such amount together with interest thereon and Mr. J. S. Gairdner has guaranteed the obligations of Gairdner, Son & Company Limited. The Company has acquired good title to all the outstanding shares of Northern Wood Preservers, Limited which are pledged to the said bank as security for the said loan of \$1,095,000 and which are to be released on repayment of the said loan.

22. No securities have been issued or agreed to be issued by the Company as fully or partly paid otherwise than in cash within the two years preceding the date hereof except the said 100,000 Common Shares referred to in paragraph 21 hereof. The said 100,000 Common Shares were issued by the Company as fully paid as part of the purchase price of all the outstanding shares of Northern Wood Preservers, Limited.

23. No services have been rendered or are to be rendered to the Company which are to be paid for by the Company wholly or in part out of the proceeds of the Series A Preference Shares and the said 108,000 Common Shares referred to in paragraph 12 hereof, except legal, audit and other services in connection with the incorporation and organization of the Company, the acquisition of all the outstanding shares of Northern Wood Preservers, Limited and the issue of the securities offered by this prospectus. No services have been rendered within the two years preceding the date hereof or are to be rendered to the Company which have been paid for or are to be paid for by securities of the Company.

24. No amount has been paid within the two years preceding the date hereof or is intended to be paid to any promoter of the Company. Reference is made, however, to paragraph **21** hereof.

25. The dates of and the parties to and the general nature of every material contract entered into within the two years preceding the date hereof (other than contracts entered into in the ordinary course of business carried on or intended to be carried on by the Company) are as follows:

(i) An agreement dated March 17, 1964 between the Company as purchaser and Gairdner, Son & Company Limited as vendor providing for the purchase by the Company of all the outstanding shares of Northern Wood Preservers, Limited referred to in paragraph **21** hereof;

(ii) The underwriting agreement dated March 19, 1964 between the Company and the Underwriter referred to in paragraph **12** hereof relating to the issue and sale of the Series A Preference Shares and the said 108,000 Common Shares referred to in the said paragraph **12**.

Copies of the documents referred to in subparagraphs (i) and (ii) inclusive hereof may be inspected at the head office of the Company during ordinary business hours at any time during the period of primary distribution to the public of the Series A Preference Shares and Common Shares offered by this prospectus.

Contracts may be entered into in connection with the purchase of the business referred to in paragraphs **10** and **27** hereof, reference to which is hereby made.

26. Mr. John Smith Gairdner, Mr. John Howard Hawke and Mr. Hugh Victor Shaw, who are directors of the Company, are directors and officers of Gairdner, Son & Company Limited which is wholly owned by Gairdner & Company Limited, 320 Bay Street, Toronto, Ontario, of which Mr. Gairdner, Mr. Hawke and Mr. Shaw are directors, officers and shareholders. Gairdner, Son & Company Limited was the vendor to the Company of all the outstanding shares of Northern Wood Preservers, Limited. No sum has been paid or agreed to be paid to any director or to any firm of which any director is a partner in cash or securities or otherwise by any person either to induce him to become or to qualify him as a director or otherwise for services rendered by him or by any such firm in connection with the promotion or formation of the Company. Glengair Investments Limited referred to in paragraph **28** hereof caused the Company to be formed and all the presently outstanding Common Shares of the Company (other than the 100,000 Common Shares referred to in paragraph **21** hereof which are beneficially owned by Gairdner, Son & Company Limited) were upon issuance and now are beneficially owned by it. Mr. John Smith Gairdner is a director and officer of, and Messrs. John Howard Hawke and Hugh Victor Shaw are directors of, Glengair Investments Limited. Except as referred to in this paragraph **26** and in paragraph **21** hereof no director of the Company has any interest in the promotion of the Company or in any property acquired or proposed to be acquired by the Company.

27. The Company has been carrying on business since March 17, 1964 when it acquired all the outstanding shares of Northern Wood Preservers, Limited. Northern Wood Preservers, Limited has been carrying on business for more than three years. Northern Wood Preservers (Saskatchewan) Limited, Northern Forest Products Ltd. and Northern Tar & Chemical Company Limited (subsidiaries of Northern Wood Preservers, Limited) have each been carrying on business for more than three years. Negotiations are currently being carried on for the acquisition by the Company and/or one of its wholly owned subsidiaries of a pipe enamel business referred to in paragraph **10** hereof and except for such pipe enamel business the Company does not presently propose to acquire any other business.

28. By reason of beneficial ownership of all the presently outstanding Common Shares of the Company, Gairdner, Son & Company Limited and Glengair Investments Limited are in a position to elect or cause to be elected a majority of the directors of the Company. The address of Gairdner, Son & Company Limited (which is wholly owned by Gairdner & Company Limited, a controlling interest in which is held by Mr. J. S. Gairdner, a director of the Company, and shares of which are also held by Mr. J. H. Hawke and Mr. H. V. Shaw, who are directors of the Company) is the 10th Floor, 320 Bay Street, Toronto, Ontario. The address of Glengair Investments Limited (a controlling interest in which is held by Mr. J. S. Gairdner, a director of the Company, and shares of which are also held by Mr. J. H. Hawke and Mr. H. V. Shaw, who are directors of the Company) is the 10th Floor, 320 Bay Street, Toronto, Ontario.

29. No securities of the Company are held in escrow.

30. No dividends have been paid by the Company.

31. There are no other material facts not disclosed in the foregoing.

The foregoing constitutes full, true and plain disclosure of all material facts in respect of the offering of securities referred to above as required by Section 39 of The Securities Act (Ontario), Section 39 of The Securities Act, 1954 (Saskatchewan), Section 13 of the Security Frauds Prevention Act (New Brunswick), Part IX of The Securities Act, 1955 (Alberta), The Securities Act (British Columbia) and under

the Quebec Securities Act, and there is no further material information applicable other than in the financial statements or reports where required or exigible.

Dated this 25th day of March, 1964.

(Signed) J. S. GAIRDNER

(Signed) R. J. PRETTIE

(Signed) F. HEDLEY

(Signed) H. V. SHAW

(Signed) J. H. HAWKE

(Signed) S. F. MACK

GLENGAIR INVESTMENTS LIMITED

GAIRDNER, SON & COMPANY LIMITED

by (Signed) J. S. GAIRDNER

by (Signed) H. V. SHAW

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts in respect of the offering of securities referred to above as required by Section 39 of The Securities Act (Ontario), Section 39 of The Securities Act, 1954 (Saskatchewan), Section 13 of the Security Frauds Prevention Act (New Brunswick), Part IX of The Securities Act, 1955 (Alberta), The Securities Act (British Columbia) and under the Quebec Securities Act, and there is no further material information applicable other than in the financial statements or reports where required or exigible. In respect of matters which are not within our knowledge, we have relied upon the accuracy and adequacy of the foregoing.

Underwriter

GAIRDNER & COMPANY LIMITED

by (Signed) E. A. LOVELACE

The following includes the names of all individuals having more than a 5% interest in the capital of Gairdner & Company Limited: J. S. Gairdner, H. V. Shaw, J. H. Hawke, G. C. Watt, J. H. Brown, F. J. McDonald, A. T. Kenner, I. K. Ferguson and R. H. Smith.